

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

L-03 H-02 PA-02 PRS-01 IO-13 AGR-10 /133 W

----- 024439

R 171634Z AUG 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1139

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 13720

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING AUGUST 16)

REF.: BONN 13392

1. ECONOMICS MINISTRY GNP FORECAST: THE FEDERAL
MINISTRY OF ECONOMICS CONTINUES TO PROJECT A "SOLID
6 PERCENT" 1976 GROWTH RATE FOR REAL GNP. FOR THE
SECOND HALF OF THE YEAR THE MINISTRY SEES CONTINUED
INVENTORY ACCUMULATION, AN INCREASED GROWTH IN BUILDING
ACTIVITY, A FURTHER CONTRIBUTION TO GROWTH BY PRIVATE
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CONSUMPTION AND EXPORTS, BUT A SLOWDOWN IN THE GROWTH

OF INVESTMENT IN FIXED ASSETS AND EQUIPMENT. THE MINISTRY IS LOOKING FOR ANOTHER 5 - 6 PERCENT GROWTH IN REAL GNP IN 1977 WITH A FURTHER REDUCTION IN THE RATE OF PRICE INCREASES. THE MINISTRY FEELS THAT THE GERMAN ECONOMIC UPTURN IS DEVELOPING SUFFICIENT SELF-SUSTAINING FORCE TO CONTINUE IN 1977, BUT WARNS THAT RISKS REMAIN BOTH FROM THE INTERNATIONAL (TRADE RESTRICTIONS) AND THE DOMESTIC SIDE (RENEWED COST EXPLOSIONS, REDUCED PROFITS AND INVESTMENT).

2. GERMAN LABOR COSTS HIGHEST: THE EMPLOYERS ASSOCIATION OF THE GERMAN CHEMICAL INDUSTRY HAS CALCULATED THAT IN 1975 WAGES AND FRINGE BENEFITS (INCLUDING SOCIAL INSURANCE) IN THE GERMAN CHEMICAL INDUSTRY WERE THE HIGHEST IN THE WORLD. ACCORDING TO THE ASSOCIATION GERMAN LABOR COST PER HOUR AMOUNTED TO \$7.20 WHILE U.S. COSTS AMOUNTED TO ONLY \$7.12.

3. FOREIGN EXCHANGE MARKET: ON FRIDAY, AUGUST 13, FOREIGN EXCHANGE MARKETS BECAME RATHER HECTIC. THE DOLLAR DROPPED TO A YEARLY LOW OF DM 2.5280. ON THE SAME DAY, ALL SNAKE CURRENCIES HIT THEIR LOWER INTERVENTION POINT AND, WITH THE EXCEPTION OF THE NORWEGIAN CROWN, HAD TO BE SUPPORTED BY PURCHASES OF THE BUNDESBANK. RUMORS ON A DM REVALUATION, POSSIBLY OVER THE WEEKEND, CIRCULATED WIDELY. DURING THE MORNING ON MONDAY, AUGUST 16, TRADING ON FOREIGN EXCHANGE MARKETS CALMED AND THE DM WEAKENED AS WEEKEND HEDGING POSITIONS WERE REVERSED. ALL SNAKE CURRENCIES RECOVERED AND WERE WELL ABOVE THEIR LOWER INTERVENTION POINT WITH THE DUTCH GUILDER REACHING THE HIGHEST RATE INCREASE OF 0.75 PERCENT. THE DOLLAR/DM RATE FLUCTUATED INSIGNIFICANTLY AND WAS FIXED AT DM 2.5346. IN THE AFTERNOON THE DM BEGAN TO STRENGTHEN AGAIN AND THIS TREND CONTINUED ON AUGUST 17. MOST DEALERS CONTINUE TO BELIEVE THAT A PARITY ADJUSTMENT WITHIN THE EC SNAKE IS INEVITABLE AND MAY NOT WAIT FOR THE GERMAN ELECTIONS. SPOT AND FORWARD DOLLAR RATES FOR THE WEEK WERE AS FOLLOWS:

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	FORWARD DOLLARS					
	SPOT DOLLARS		(IN PERCENT PER ANNUM)			
	FIXING	OPENING	CLOSING	ONE-MONTH	THREE-MONTH	
AUG 10	2.5424	2.5430	2.5430	-1.4	-1.5	
11	2.5382	2.5420	2.5370	-1.0	-1.2	
12	2.5355	2.5350	2.5400	-1.2	-1.3	
13	2.5280	2.5300	2.5320	-1.5	-1.3	

16	2.5346	2.5340	2.5315	-1.5	-1.4
17	2.5159	2.5200	N.A.	N.A.	N.A.

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----- 024920

R 171634Z AUG 76
FM AMEMBASSY BONN
TO SECSTATE WASHDC 1140
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY ROME
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4. MONEY MARKET: CALL MONEY EASED SLIGHTLY DURING THE WEEK UNDER REVIEW BUT LESS THAN SOME HAD EXPECTED IN EW OF THE FOREIGN EXCHANGE INFLOWS. ONE-MONTH AND THREE-MONTH MONEY REMAINED ALMOST UNCHANGED. RATES DEVELOPED AS FOLLOWS DURING THE REPORTING WEEK:

CALL MONEY	ONE-MONTH	THREE-MONTH
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AUG 10	4.1-4.3	4.45	4.50
11	4.1-4.3	4.45	4.50
12	4.1-4.2	4.45	4.50

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13	4.0-4.2	4.40	4.50
16	4.0-4.2	4.40	4.50

5. BUNDESBANK FOREIGN POSITION: IN THE PERIOD AUGUST 1 TO 7, THE BUNDESBANKS' NET FOREIGN POSITION INCREASED BY DM 0.3 BILLION TO DM 90.1 BILLION. CLAIMS ON THE EUROPEAN FUND FOR MONETARY COOPERATION INCREASED BY DM 772 MILLION AND GROSS LIABILITIES BY ABOUT DM 425 MILLION. FOREIGN EXCHANGE HOLDINGS DECLINED BY DM 46 MILLION.

6. BANK LIQUIDITY: IN THE SAME PERIOD, BANK LIQUIDITY INCREASED BY DM 3.8 BILLION. FACTORS INCREASING LIQUIDITY WERE A DM 2.9 BILLION DECLINE IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK, A DECLINE OF DM 0.6 BILLION IN CURRENCY IN CIRCULATION, A DM 0.2 BILLION DECREASE IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK AND THE ABOVE-MENTIONED INCREASE IN BUNDESBANK'S MONETARY RESERVES. LIQUIDITY WAS REDUCED BY A DECLINE IN OTHER FACTORS (DM 0.2 BILLION, NET). THE BANKS USED THE INCREASE IN LIQUIDITY TO REDUCE LOMBARD BORROWINGS BY DM 3.9 BILLION. AT THE SAME TIME, BANKS INCREASED REDISCOUNT BORROWINGS BY DM 0.1 BILLION.

7. BOND MARKET: ON AUGUST 11, THE FEDERAL LOAN CONSORTIUM ANNOUNCED THE CONDITIONS OF THE NEW FEDERAL LOAN (SEE BONN 13392). THE ISSUE CONTAINS TWO TRANCHES. THE FIRST TRANCHE AMOUNTS TO DM 500 MILLION (INCLUDING DM 100 MILLION FOR PRICE SUPPORT PURPOSES BY THE BUNDESBANK), CONDITIONS: COUPON 8 PERCENT, ISSUE PRICE 99.75 PERCENT, MATURITY 5 YEARS, YIELD TO MATURITY 8.06 PERCENT. THE SECOND TRANCHE AMOUNTS TO DM 300 MILLION (INCLUDING DM 30 MILLION FOR PRICE SUPPORT PURPOSES BY THE BUNDESBANK), CONDITIONS: COUPON 8.25 PERCENT, ISSUE PRICE 99 PERCENT, MATURITY 8 YEARS, YIELD TO MATURITY 8.43 PERCENT. THE ISSUE IS REPORTEDLY SELLING VERY WELL AND IS ALREADY BEING TRADED ABOVE ITS ISSUE PRICE. THE TENDENCY ON THE GERMAN BOND MARKET GENERALLY HAS BEEN TOWARD SLIGHTLY LOWER INTEREST RATES. PREVIOUS FEARS ARE RECEDING THAT INTEREST RATES MIGHT INCREASE SUBSTANTIALLY

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THIS FALL.

8. NEW EURO-DM ISSUES: ACCORDING TO THE PRESS, THE DEUTSCHE BANK HAS PRIVATELY PLACED A DM 100 MILLION ISSUE OF THE AUSTRALIAN SHIPPING COMMISSION AT 8 PERCENT AND 7 YEARS MATURITY. A \$42 MILLION 7 YEAR LOAN AT 8 1/4 PERCENT FOR THE AUSTRALIAN SHIPPING AUTHORITY IS REPORTEDLY UNDER DISCUSSION AT AN ISSUE PRICE OF 99.

9. ECONOMIC INDICATORS PUBLISHED THIS WEEK: THE

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R 171634Z AUG 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1141

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

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FEDERAL STATISTICAL OFFICE HAS ONCE AGAIN REVISED ITS ESTIMATES OF THE FRG GNP IN 1975. DUE EXCLUSIVELY TO A BETTER THAN PREVIOUSLY ESTIMATED PERFORMANCE OF THE ECONOMY DURING THE SECOND HALF OF THE YEAR, EARLIER ESTIMATES WERE UPPED BY DM 3.2 BILLION IN TERMS OF CURRENT PRICES AND DM 1.8 BILLION IN CONSTANT PRICES. THE NEW FIGURES ARE DM 1,043.6 BILLION NOMINALLY AND DM 576.6 BILLION REAL, UP 4.7 PERCENT AND DOWN 3.2 PERCENT, RESPECTIVELY, FROM 1974 LEVELS. PRESUMABLY SEASONALLY ADJUSTED FIRST QUARTER 1976 GNP STATISTICS NOW WILL BE ADJUSTED ACCORDINGLY. THE USUAL BREAK-DOWN BY MAJOR COMPONENTS WILL BE REPORTED SEPARATELY.

SEASONALLY ADJUSTED BUNDESBANK DATA

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APRIL MAY JUNE

BUILDING PERMITS FOR

HOUSING UNITS

(1970 EQUALS 100) 82 87 -

RETAIL SALES VOLUME

(1970 EQUALS 100) 113 115 113

VOLUME OF TRADE (BILL. DM)

EXPORTS 15.52 15.76 15.70

IMPORTS 14.04 13.30 13.59

INDUSTRIAL WAGES PER EMPLOYEE

(1970 EQUALS 100) 177 178 -

NON-SEASONALLY ADJUSTED FIGURES

RELEASED BY THE FEDERAL STATISTICAL OFFICE

MAY JUNE JULY

INSOLVENCIES

(TOTAL) 681 716 -

(PERCENTAGE CHANGE

FROM COMPARABLE

1975 LEVELS) (MINUS 3.7) (0.6) -

INDUSTRIAL PRODUCER

PRICES

(1970 EQUALS 100) 140.6 141.0 141.7

(PERCENTAGE CHANGE

FROM COMPARABLE

1975 LEVELS) 3.8 4.1 4.6

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Disposition Approved on Date:
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Disposition Case Number: n/a
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Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
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